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**SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN DIEGO**

TEOFILO AGUILAR, on behalf of the State of
California and other aggrieved persons,

Plaintiff,

v.

MAD ENGINE GLOBAL, LLC, a Limited
Liability Company; MAD ENGINE, LLC, a
California Limited Liability Company; MAD
ENGINE, INC., a California corporation; DOES
1 through 10, inclusive,

Defendants.

Case No.: 37-2021-00049439-CU-OE-CTL

PAGA REPRESENTATIVE ACTION

*[Assigned for all purposes to: Hon. Joel R.
Wohlfeil, Dept. C-73]*

**PLAINTIFF'S NOTICE OF MOTION
AND MOTION TO APPROVE PAGA
SETTLEMENT**

Date: October 7, 2022
Time: 9:00 a.m.
Dept.: C-73

Complaint Filed: November 22, 2021
FAC Filed: September 2, 2022

NOTICE OF MOTION AND MOTION

TO THE COURT, ALL PARTIES, AND THEIR COUNSEL OF RECORD:

PLEASE TAKE NOTICE that on October 7, 2022 at 9:00 a.m. in Department C-73 of the San Diego County Superior Court, Hall of Justice, located at 330 West Broadway, San Diego, California 92101, the Honorable Joel R. Wohlfeil presiding, Plaintiff Teofilo Aguilar (“Plaintiff”) will, and hereby does, move for an order under Labor Code section 2699(1)(2) approving the PAGA Settlement Agreement (“Settlement”) entered into by Plaintiff and Defendants Mad Engine Global, LLC, Mad Engine, LLC, and Mad Engine, Inc. (“Defendants”).

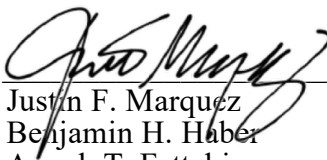
Pursuant to Labor Code § 2699(1)(2), the settlement of Plaintiff’s PAGA claims requires the Court’s approval. The basis for this motion is that Plaintiff and Defendants reached and fully executed a Settlement of the above-entitled case, Case No. 37-2021-00049439-CU-OE-CTL, that disposes of the matter entirely and is fair, reasonable, and serves the purposes of the PAGA statute. The Settlement includes all persons who were engaged by Defendants as hourly-paid employees in California at any time from March 23, 2020 to July 22, 2022. The Settlement is fair, adequate, and reasonable, and it provides for civil penalties to be distributed to Plaintiff, other aggrieved employees, and the California Labor & Workforce Development Agency.

This motion is based on this Notice, the attached Memorandum of Points and Authorities, the Declaration of Justin F. Marquez and attached exhibits, as well as the records on file in this action and any argument the Court is presented with at the time of the hearing.

Respectfully submitted,

Dated: September 14, 2022

WILSHIRE LAW FIRM

By: 
Justin F. Marquez
Benjamin H. Haber
Arrash T. Fattahi

Attorneys for Plaintiff

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MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION.

On November 22, 2021, Plaintiff Teofilo Aguilar (“Plaintiff”) filed a Private Attorneys General Act of 2004 (“PAGA”) (Cal. Lab. Code §§ 2698, *et seq.*) representative action against Defendants Mad Engine Global, LLC, Mad Engine, LLC, and Mad Engine, Inc. (“Defendants”). Plaintiff and Defendants then engaged in vigorous, arms-length negotiations regarding the resolution of this matter. After an all-day mediation presided over by Honorable Jay C. Gandhi (Ret.), the Parties ultimately agreed to settle Plaintiff’s PAGA claim for \$300,000.00, which will provide significant civil penalties to the California Labor & Workforce Development Agency (“LWDA”) and other aggrieved employees.

Labor Code § 2699(1)(2) provides that “[t]he superior court shall review and approve any settlement of any civil action filed pursuant to this part. The proposed settlement shall be submitted to the [LWDA] at the same time that it is submitted to the court.” Plaintiff submitted the proposed Settlement to the LWDA on September 14, 2022, pursuant to Labor Code § 2699(1)(2). (Declaration of Justin F. Marquez [“Marquez Decl.”], ¶ 7, Ex. A.) The Parties now seek Court approval of the Settlement. For the reasons discussed in detail below, the Court should issue an order approving the Settlement.

II. FACTUAL AND PROCEDURAL BACKGROUND.

Defendants operate in the apparel and accessories industry and are headquartered in San Diego, California with numerous other locations throughout the world, including a total of six in California alone. (*Id.* at ¶ 3.) Plaintiff worked for Defendants in San Diego, California as an hourly-paid, non-exempt employee from approximately April 2021 to approximately July 2021. (*Id.*)

Plaintiff’s PAGA claim stems from Defendants failure to pay for all hours worked (minimum, straight time, and overtime wages), failure to provide meal periods, failure to authorize and permit rest periods, failure to pay all earned wages twice per month, failure to maintain accurate records of hours worked and meal periods, failure to timely pay final wages, failure to furnish accurate wage statements, and failure to indemnify for necessary business

1 expenditures. (*Id.* at ¶ 4.)

2 On September 17, 2021, Plaintiff provided notice to the LWDA and Defendants of the
3 violations described above, as required by Labor Code § 2699.3(a)(1). (*Id.* at ¶ 5.) Pursuant to
4 Labor Code § 2699.3(a)(2)(A), the LWDA had 65 calendar days to notify Plaintiff and
5 Defendants whether it intended to investigate the alleged violations. (*Id.*) However, the LWDA
6 did not do so. (*Id.*)

7 After Plaintiff filed his complaint, the Parties engaged in extensive settlement
8 discussions. (*Id.* at ¶ 6.) To facilitate settlement, Defendants provided Plaintiff with
9 timekeeping and payroll data for a sampling of the aggrieved employees, and the applicable
10 policies in effect during the relevant time period. (*Id.*) Thereafter, the Parties engaged in
11 extensive discussions about the factual and legal strengths (and weaknesses) of the claims and
12 defenses. (*Id.*) Ultimately, after an all-day mediation presided over by Honorable Jay C. Gandhi
13 (Ret.), the Parties agreed to settle the PAGA claim for \$300,000.00, which includes all persons
14 who were engaged by Defendants as hourly-paid employees in California at any time from
15 March 23, 2020 to July 22, 2022. (*Id.* at ¶ 8.) There are approximately 396 aggrieved employees
16 covered by the settlement. (*Id.*) Plaintiff submitted the Settlement to the LWDA on September
17 14, 2022, pursuant to Labor Code § 2699(1)(2). A true and correct copy of the Settlement
18 executed by the Parties, along with the confirmation that the Settlement was submitted to the
19 LWDA is attached to the Declaration of Justin F. Marquez as **Exhibit A**. (Marquez Decl., ¶ 8;
20 Ex. A.) Additionally, attached as **Exhibit B** to the Declaration of Justin F. Marquez is the
21 Settlement Notice that will be sent to the PAGA Employees with payment after the Court enters
22 a Judgement on its Order Approving the PAGA Settlement. (*Id.*; Settlement, ¶ 1.22.)

23 **III. ARGUMENT.**

24 PAGA permits an aggrieved employee to sue an employer for civil penalties associated
25 with the employer's alleged violations of the Labor Code. (Cal. Lab. Code § 2699(a).) Under
26 the statute, of the amount paid to settle a claim for PAGA penalties, twenty-five percent (25%)
27 is payable to the aggrieved employees and seventy-five percent (75%) is payable to the LWDA.
28 (Cal. Lab. Code § 2699(i).)

1 **A. The Terms of the PAGA Settlement.**

2 The Settlement provides for a gross Settlement Amount of \$300,000.00 to be distributed
3 to all persons who were engaged by Defendants as hourly-paid employees in California at any
4 time from March 23, 2020 through July 22, 2022 (“PAGA Employees”) and releases claims by
5 the PAGA Employees during this period as well. (Settlement, ¶ 5.2.) Of that amount,
6 \$100,000.00 is allocated to Attorneys’ Fees, up to \$25,000.00 is allocated to litigation costs, up
7 to \$7,750.00 is allocated to Settlement Administrator Costs, and \$12,500.00 is allocated as a
8 Service Award to Plaintiff. (Settlement, ¶¶ 3, 6.) The Net Settlement Amount after these
9 deductions is \$154,750.00 and will be allocated and disbursed as follows:

10 **Settlement Administration.** Within seven (7) calendar days after the Court approves
11 the Settlement and any other LWDA requirements are satisfied, the Settlement Administrator
12 will send wiring instructions to fund the Settlement Amount. Within fifteen (15) days of the
13 Effective Date (as that term is defined in Section 1.9 of the Settlement Agreement), Defendants
14 will send to the Settlement Administrator a list of all the PAGA Employees and their contact
15 information for purposes of distributing payments to the aggrieved employees. (Settlement, ¶
16 4.1.) Within fourteen (14) calendar days after the Effective Date, Defendants shall fully fund
17 the Settlement by transmitting the funds to the Settlement Administrator. (*Id.* at ¶ 4.2.)

18 Before mailing payments to the aggrieved employees, the Settlement Administrator will
19 update contact information using the National Change of Address database. (*Id.* at ¶ 4.3.1.)
20 The Settlement Administrator will then issue the Notice and payments to the PAGA Employees,
21 issue any required IRS forms, issue the Service Award to Plaintiff, and issue payment to the
22 LWDA and Plaintiff’s counsel. (*Id.* at ¶ 4.3.) PAGA Employees will have 180 days to cash
23 their checks, after which time a stop-payment will issue and the funds will be paid to the
24 California Controller’s Unclaimed Property Fund in the name of the PAGA Employee. (*Id.* at ¶
25 4.3.3.)

26 **B. The Terms of the PAGA Settlement Are Fair and Should Be Approved.**

27 The settlement of a PAGA claim requires court approval pursuant to the operative PAGA
28 statute, which states that the “court shall review and approve any penalties sought as part of a

1 proposed settlement agreement pursuant to this part.” (See Cal. Lab. Code § 2699(l).)

2 As with any settlement, the Court must be mindful in conducting its inquiry that
3 “[s]ettlement is a compromise, which balances the possible recovery against the risks inherent
4 in litigating further.” (See *In re TD Ameritrade Account Holder Litig.* (N.D. Cal. Sept. 13, 2011)
5 2011 WL 4079226, *9.) Indeed, “the very essence of a settlement is ... ‘a yielding of absolutes
6 and an abandoning of highest hopes,’” as “it is the very uncertainty of outcome in litigation and
7 avoidance of wasteful and expensive litigation that induce consensual settlements.” (See
8 *Officers for Justice v. Civil Service Com.* (9th Cir. 1982) 688 F.2d 615, 624-25.) As such, “the
9 settlement or fairness hearing is not to be turned into a trial or rehearsal for trial on the merits”
10 or “judged against a hypothetical or speculative measure of what might have been achieved by
11 the negotiators.” (*Id.*)

12 Although the operative PAGA statute does not set forth the criteria by which a PAGA
13 settlement is to be judged, it is presumed that a reviewing court may utilize some of the factors
14 for review of a class action settlement. However, “a PAGA claim asserted on a non-class
15 representative basis...is not considered a class action but a law enforcement action, and
16 therefore does not have to meet the requirements of [a class action].” (See *Casida v. Sears*
17 *Holdings Corp.* (E.D. Cal. Jan. 26, 2012) 2012 WL 253217, *3; *Thomas v. Aetna Health of Cal.,*
18 *Inc.* (E.D. Cal. June 2, 2011) 2011 WL 2173715, *13 ; *Mendez v. Tween Brands, Inc.*, 2010 WL
19 2650571, *4 (E.D. Cal. July 1, 2010).) Based thereon, a court’s review of a PAGA settlement
20 necessarily implicates the following unique features that render the approval process distinct
21 from approval of a class action settlement under Code of Civil Procedure § 382 and Rule 3.769,
22 Cal. Rules of Court.

23 First, in evaluating the adequacy of the settlement amount, the Court’s focus is not
24 concerned with the amount(s) that “aggrieved employees” are to receive, but rather, must focus
25 on the total settlement amount in achieving PAGA’s objective. Indeed, “[t]he remedy sought
26 in a PAGA suit consists of civil penalties, not individual or class damages.” (*Mendez, supra*,
27 2010 WL 2650571 at *4.) “Unlike class actions, these civil penalties are not meant to
28 compensate unnamed employees because the action is fundamentally a law enforcement action.”

(*Ochoa-Hernandez v. Cjaders Foods, Inc.* (N.D. Cal. Apr. 2, 2010) 2010 WL 1340777, *4. Moreover, while “[a PAGA] action is ... designed to protect the public and penalize the employer for past illegal conduct,” a reviewing Court must take into account the fact that settlement of a PAGA claim – like any settlement – involves a “compromise” that stops short of rendering findings of liability and damages. (*Mendez*, 2010 WL 2650571 at p. *4) As such, the Court must not lose sight of the fact that “[u]nlike a class action seeking damages or injunctive relief for injured employees, the purpose of PAGA is to incentivize private parties to recover civil penalties for the government that otherwise may not have been assessed and collected by overburdened state enforcement agencies.” (*See Ochoa-Hernandez*, 2010 WL 1340777 at p. *4.)

Second, consistent with the fact that unnamed employees have no property interest in a PAGA claim,¹ “[u]nnamed employees need not be given notice of the PAGA claim, nor do they have the ability to opt-out of the representative PAGA claim.” (*See Ochoa-Hernandez, supra*, 2010 WL 1340777 at p. *4.) This renders the approval process of a PAGA settlement distinct from a class action settlement, as there is no need for the Court to employ the “two-step approval process” required under Fed. R. Civ. P. 23(e) and Rule 3.769.²

Finally, unlike a class action settlement under Rule 23(e) and Rule 3.769, the scope of release permitted in a PAGA settlement is limited. While “judgment in [a PAGA] action is binding not only on the named employee plaintiff but also on government agencies and any aggrieved employee not a party to the proceeding...the non-party employees, because they were

¹ As held by the California Supreme Court, “[t]he Labor Code Private Attorneys General Act of 2004 does not create property rights or any other substantive rights” as “[i]t is simply a procedural statute allowing an aggrieved employee to recover civil penalties—for Labor Code violations—that otherwise would be sought by state labor law enforcement agencies.” (*Amalgamated Transit Union, Local 1756, AFL-CIO v. Superior Court* (2009) 46 Cal.4th 993, 1003.)

² Significantly, the “two-step” approval process of Rule 23(e) is required to facilitate “notice” to absent class members, as Rule 23(e) expressly requires notice and an opportunity for absent class members to exclude themselves or object. (*See* Fed. R. Civ. P. 23(e) (“The following procedures apply to a proposed settlement ... (1) The court must direct notice in a reasonable manner to all class members who would be bound by the proposal.... (4) ... the court may refuse to approve a settlement unless it affords a new opportunity to request exclusion to individual class members.... (5) Any class member may object to the proposal if it requires court approval under this subdivision”).) Cal. Rule of Court 3.769 contains similar rules for State court class actions.

not given notice of the action or afforded any opportunity to be heard, would not be bound by the judgment as to remedies other than civil penalties.” (*See Arias v. Superior Court* (2009) 46 Cal.4th 969, 986-87 (2009).) Thus, with the exception of the named Plaintiff, the scope of a release in a PAGA settlement is necessarily strictly confined to the PAGA penalties alleged in the complaint, and claims that were or could have been alleged pursuant to PAGA based on the factual allegations in the Complaint. In the case at hand, as the only claims at issue are PAGA claims, those will be the only claims extinguished as a result of this Settlement, with the exception of Plaintiff’s much broader, general personal release against Defendants.

California courts have a strong policy in favor of settlement. (*See, e.g., Stambaugh v. Superior Court* (1976) 62 Cal.App.3d 231, 236.) Unlike individual settlements, class action settlements (and representative PAGA settlements) involve a court approval process that exists to prevent fraud, collusion, and unfairness to absent individuals. (*Malibu Outrigger Bd. of Governors v. Superior Court* (1980) 103 Cal.App.3d 573, 578-79.) In the class action context, there is a presumption of fairness of a class action settlement when: (1) the settlement is reached as a result of arm’s length negotiations; (2) there has been sufficient investigation and discovery; (3) counsel is experienced in similar litigation; and (4) the percentage of objectors is small. (*Dunk v. Ford Motor Co.* (1996) 48 Cal.App.4th 1794, 1802.) Before approving a class action settlement, a trial court must develop an understanding “of the amount that is in controversy and the realistic range of outcomes of the litigation.” (*Kullar v. Foot Locker Retail, Inc.* (2008) 168 Cal.App.4th 116, 120.).

The proposed settlement meets all of these factors.

1. The Settlement Was Reached Through Arms-Length Bargaining.

The Parties reached the Settlement after an all-day mediation presided over by Honorable Jay C. Gandhi (Ret.). (Marquez Decl., ¶¶ 7, 8.) The settlement negotiations were at arm’s length and, although conducted in a professional manner, were adversarial. (*Id.* at ¶ 7.) The Parties went into the mediation willing to explore the potential for a settlement of the dispute, but each side was also prepared to litigate their position through trial and appeal if a settlement had not been reached. (*Id.*)

1 **2. The Settlement Is Based On Sufficient Investigation and Discovery.**

2 Before the Settlement, Plaintiff's counsel conducted an investigation into the claims
3 alleged by Plaintiff, conducted legal research, and engaged in informal discovery. Based upon
4 the information obtained through informal discovery, Plaintiff's counsel was able to act
5 intelligently and effectively in negotiating the proposed Settlement. (*Id.* at ¶ 9.)

6 **3. Plaintiff's Counsel Have Extensive Experience in PAGA Actions.**

7 Highly capable and experienced counsel conducted the settlement negotiations.
8 Plaintiff's counsel are respected members of the bar with a strong record of vigorous and
9 effective advocacy for their clients, and they are experienced in handling complex wage and
10 hour class action litigation and PAGA actions. (*Id.* at ¶¶ 28-38.) Although Plaintiff and counsel
11 were prepared to litigate the claims in this action, they support the proposed Settlement as being
12 in the best interests of the State of California and the aggrieved employees. (*Id.* at ¶ 9.)

13 **4. Assessing the Amount In Controversy and the Risks of Trial.**

14 Plaintiff and his counsel remain confident of the merits of Plaintiff's claims. (*Id.* at ¶
15 10.) However, Plaintiff does acknowledge that his position includes risk and uncertainty, as
16 described in more detail below. For instance, Plaintiff's allegation that Defendants failed to
17 pay Plaintiff and the aggrieved employees all of their owed wages is based on Defendants'
18 failure to: 1) pay employees for work performed "off-the-clock;" and 2) include non-
19 discretionary remuneration (i.e., bonuses) in the regular rate of pay for overtime purposes. (*Id.*)
20 Although present on the face of the records, Defendants contend that any bonuses issued to
21 employees were entirely discretionary, and therefore, did not need to be included in the regular
22 rate of pay for purposes of calculating the overtime rate. (*Id.*; *see also* 29 C.F.R. §§ 778.208,
23 778.211 [excluding "discretionary" bonuses from the regular rate]; *see also* DLSE Manual §
24 49.1.2.4(3) [bonuses are discretionary, and therefore excludable, if "both the fact that payment
25 is to be made and the amount of the payment" are discretionary].) With respect to the meal
26 period allegation, Plaintiff alleges that Defendants required him and the other aggrieved
27 employees to work in lieu of taking meal periods. (*Id.*) Although Plaintiff contends that this
28 allegation is meritorious, there is risk with this underlying claim, particularly because

Defendants issued meal period premiums to their employees and implemented meal period waivers throughout the covered period. (*Id.*) With respect to the rest period allegation, Plaintiff contends that employees, including himself, were not provided with California-compliant rest periods. (*Id.*) Again, despite Plaintiff’s contention that this allegation is credible, proving rest period allegations is particularly difficult because rest periods do not have to be recorded and Defendants can argue that the aggrieved employees chose to voluntarily forego their rest periods. (*Id.*) With respect to the unreimbursed business expenses allegation, Plaintiff alleges that Defendants required him and the other aggrieved employees to purchase various work-related tools, including, without limitation, box cutters and gloves, in order to perform their job duties in a satisfactory fashion. (*Id.*) Defendants dispute this claim based on the fact that they provided employees with all the necessary tools required for the performance of their duties and as such, any additional tools purchased by employees were not truly necessary. (*Id.*) Lastly, with regard to Plaintiff’s wage statement claim, Defendants argue that the wage statements issued to employees meet the requirement of Labor Code § 226(a). (*Id.* at ¶ 11.) Defendants also maintain that any alleged wage statement violation could not be shown to be “knowing and intentional,” and that Plaintiff cannot show that he or any other employee “suffer[ed] injury” as a result of the alleged wage statement violations, as required by Labor Code § 226(e) for the imposition of penalties. (*Id.*)

Additionally, Plaintiff faced a significant risk that even if the Court did award PAGA penalties, the Court could drastically reduce the penalties based on the discretionary factors contained in Labor Code § 2699(e)(2) (“In action by an aggrieved employee..., a court may award a lesser amount than the maximum civil penalty amount specified by this part if, based on the facts and circumstances of the particular case, to do otherwise would result in an award that is unjust, arbitrary and oppressive, or confiscatory.”). Plaintiff believed there was a legitimate risk of the Court significantly reducing penalties given the technical nature of the alleged violations. (Marquez Decl., ¶ 12.)

Without this settlement, the Parties face preparation for trial, as well as extensive formal discovery efforts and further depositions. (*Id.*) As a result, the Parties would incur considerably

1 more attorneys' fees and costs through trial. (*Id.*) This settlement avoids those risks and the
2 accompanying expense. Thus, this factor favors settlement approval. (*Id.*)

3 As described above, the proposed Settlement provides a fair and reasonable monetary
4 recovery for the PAGA Employees and the LWDA in the face of the contested claims. Plaintiff
5 estimated Defendants' realistic exposure for the PAGA penalties as follows:

6 PAGA Penalties for Unpaid Wages, Meal Period Violations, Rest Period Violations, and
7 Unreimbursed Business Expenses: \$404,520

8 Plaintiff's expert determined that there were 13,484 pay periods during the relevant time
9 period which presented issues with regard to unpaid wages, meal period violations, rest period
10 violations, and unreimbursed business expenses. (Marquez Decl., ¶ 13.) Plaintiff acknowledges
11 that when evaluating Defendants' potential exposure, it is likely that the Court would impose
12 only the initial \$100 violation for all PAGA violations. (*See Amaral v. Cintas Corp. No. 2* (2008)
13 163 Cal.App.4th 1157, 1207 [finding that the "initial" violation rate applies until the employer
14 has been notified that it is violating a Labor Code provision].) Applying the \$100 "initial
15 violation" penalty for each of these pay periods, Defendants' potential PAGA exposure is
16 \$1,348,400 (based on 13,484 pay periods). (Marquez Decl., ¶ 13.) However, Defendants'
17 contention that the underlying allegations lacked merit led to Plaintiff discounting this
18 maximum exposure by 70% to account for the risk of not prevailing on the merits and the
19 Court's discretion in reducing penalties. (*Id.*)

20 PAGA Penalties for Wage Statement Violations: \$531,440

21 Plaintiff's expert determined that there were 13,484 pay periods at issue with regard to
22 the wage statement violations claim. (Marquez Decl., ¶ 14.) Because Plaintiff's wage statement
23 theory of liability is predicated on Defendants' issuance of facially deficient wage statements –
24 each of the wage statements issued would carry a potential PAGA penalty. (*Id.*) As Labor Code
25 § 226(e) specifies what penalties are recoverable for violations of § 226(a) (\$50 penalty per
26 initial violation and a \$100 penalty per subsequent violation, up to an aggregate penalty of
27 \$4,000 per employee), the PAGA penalties recoverable through this section mirror the penalties
28 available through § 226(e). (*See* Labor Code § 2699(a).) Accordingly, Defendants' maximum

1 exposure for its wage statement violations is \$1,328,600 (396 “initial” violations x \$50 per
2 violation + 13,088 “subsequent” violations x \$100 per violation). (Marquez Decl., ¶ 14.)

3 However, based on Defendants’ counterarguments and because the Court maintains
4 discretion to reduce these penalties, Plaintiff discounted that figure by 20% for a risk of not
5 prevailing on the merits, and an additional 50% to account for the Court’s discretion to reduce
6 the penalties (given the highly technical nature of the alleged violations). (*Id.*; see also *Fleming*
7 *v. Covidien Inc.* (C.D. Cal., Aug. 12, 2011, No. (OPX)) 2011 WL 7563047, at *4 [reducing
8 PAGA penalties from \$2.8 million to \$500,000]; *Thurman v. Bayshore Transit Management,*
9 *Inc.* (2012) 203 Cal.App.4th 1112, 1136 [affirming trial court’s finding that awarding maximum
10 PAGA penalties would be unjust].)

11 Using these estimated figures, Plaintiff predicted that the realistic total potential
12 recovery for the PAGA Employees and the LWDA would be approximately \$935,960.
13 (Marquez Decl., ¶ 15.) The proposed Settlement of \$300,000 therefore represents 32% of
14 Plaintiff’s reasonably forecasted total recovery. (*Id.*) “The fact that a proposed settlement may
15 only amount to a fraction of the potential recovery does not, in and of itself, mean that the
16 proposed settlement is grossly inadequate and should be disapproved.” (*Linney v. Cellular*
17 *Alaska Partnership* (9th Cir. 1998) 151 F.3d 1234, 1242 [internal quotations omitted].) In this
18 case, continued litigation would delay payment to the LWDA and the PAGA Employees as they
19 await trial and, most likely, appellate proceedings. (Marquez Decl., ¶ 15.) Furthermore, while
20 Plaintiff is confident in the merits of the case, a legitimate controversy exists as to each of the
21 predicate Labor Code violations. (*Id.*) The possibility that the Court finds no liability at the
22 PAGA bench trial is also a risk. (*Id.*) In sum, when the risks of litigation, the burdens of proof
23 necessary to establish liability, and the probability of appeal of a favorable judgment are
24 balanced against the merits of Plaintiff’s claims, it is clear that the Settlement amount is fair.
25 (*Id.*) Further, because of the proposed Settlement, the PAGA Employees will receive timely,
26 guaranteed relief and will avoid the risk of an unfavorable judgment. (*Id.*) Plaintiff also
27 recognizes that proving the amount of wages due to each employee would be an expensive,
28 time-consuming, and uncertain proposition. (*Id.*)

1 If the Court approves the terms of the Settlement, each aggrieved employee’s payment
2 will be approximately \$98.00 and approximately \$116,062.50 will go to the LWDA. (*Id.* at ¶
3 16.) In reality, some employees will likely receive more, and others may receive less depending
4 on the length of their employment with Defendants. (*Id.*)

5 **C. The PAGA Representative Service Payment Is Reasonable.**

6 Plaintiffs in class action lawsuits are eligible for reasonable incentive payments as
7 compensation “for the expense or risk they have incurred in conferring a benefit on other
8 members of the class.” (*Munoz v. BCI Coca-Cola Bottling Company of Los Angeles* (2010) 186
9 Cal.App.4th 399, 412.) Courts routinely grant approval of class action settlement agreements
10 containing additional awards for the class representatives, which are “intended to compensate
11 class representatives for work done on behalf of the class, to make up for financial or
12 reputational risk undertaken in bringing the action, and, sometimes, to recognize their
13 willingness to act as a private attorney general.” (*Cellphone Fee Termination Cases* (2010) 186
14 Cal.App.4th 1380, 1393-94 [citations omitted].)

15 The Settlement provides for a Service Payment to Plaintiff in an amount not to exceed
16 \$12,500.00. (Settlement, ¶ 6.) The requested service award is intended to recognize: (1) the
17 substantial time and effort that Plaintiff has expended on behalf of the State and Aggrieved
18 Employees; (2) the risks faced by Plaintiff as a result of bringing this action; (3) the fact that
19 Plaintiff put the interests of the State of California and other aggrieved employees ahead of his
20 own; and (4) the substantial benefit conferred upon the State and the aggrieved employees as a
21 result of Plaintiff’s actions. (Marquez Decl., ¶ 17.) Plaintiff has spent numerous hours
22 performing tasks for this case, including, but not limited to, the following: preparing for and
23 participating in an all-day deposition taken by Defendants’ counsel; consulting with counsel in-
24 person and over the telephone; searching for and producing relevant documents; reviewing
25 documents produced by Defendants and settlement documents; keeping informed of the
26 developments in the case; and participating in decisions concerning the case, including
27 settlement. (*Id.* at ¶ 18.) As a result of his efforts, the LWDA and about 396 aggrieved
28 employees will receive compensation for civil penalties for underpaid wages and other wage

and hour violations. (*Id.*)

Plaintiff put himself at significant risk in pursuing this action on behalf of the State, as serving as a Plaintiff in a representative action could affect his prospects for future employment. (*Id.* at ¶ 19.) Plaintiff also placed himself at substantial risk because, if Defendants were to prevail in this action, Plaintiff could be liable for Defendants’ costs and attorneys’ fees. (*Id.*)

In short, this action would not have been possible without the aid of Plaintiff, who put his own time and effort into this litigation, sacrificed the value of his individual claims by entering into a general release of all known and unknown claims, and placed himself at risk for the sake of the State and the aggrieved employees. (*Id.* at ¶ 20.) Accordingly, the requested Service Payment is reasonable and should be approved by the Court.

D. The Requested Attorneys’ Fees and Costs Are Reasonable.

A prevailing party in a PAGA action is entitled to recover his attorneys’ fees and costs for his claims. (Cal. Lab. Code § 2699(g) [“Any employee who prevails in any action shall be entitled to an award of reasonable attorney’s fees and costs.”].) A fee award is justified where the legal action has produced its benefits by way of a voluntary settlement. (*See, e.g., Maria P. v. Riles* (1987) 43 Cal.3d 1281, 1290-91; *Westside Community for Independent Living, Inc. v. Obledo* (1983) 33 Cal.3d 348, 352-53.)

Fee awards of roughly one-third of the settlement fund are routinely awarded in California state and federal courts in class and representative PAGA actions. “[F]ee awards in class actions average around one-third of the recovery.” (*Chavez v. Netflix, Inc.* (2008) 162 Cal.App.4th 43, 66, fn. 11 ; *see also, In re Pacific Enterprises Securities Litig.* (9th Cir. 1995) 47 F.3d 373, 379 [affirming 33% fee award]; *Williams v. MGM-Pathe Communications Co.* (9th Cir. 1997) 129 F.3d 1026, 1027 [holding that class counsel’s fee award should have been calculated as one-third of the gross settlement fund]; *Chavez v. Saticoy Lemon Ass’n* (Cal. Super. Ct. Ventura Cty. Aug. 10, 2015) Case No. 56-2015-00468600-CU-OE-VTA, 2015 WL 5561118 [approving attorneys’ fees of one-third of settlement fund in representative PAGA settlement]; *Clavel v. Lupe’s Thousand Oaks Mexican Restaurant, Inc.* (Cal. Super. Ct. Ventura Cty. Mar. 25, 2016) Case No. 56-2015-00467353-CU-OE-VTA, 2016 WL 1601221 [same].)

1 The fee award requested here (\$100,000.00, representing 33 1/3% of the \$300,000.00
2 gross settlement amount) is justified because Plaintiff's counsel achieved a significant monetary
3 recovery for the aggrieved employees and the LWDA in an uncertain and risky case while
4 bearing the substantial burdens of representation on a contingency basis, and the fees requested
5 are in line with the market rates described above. Plaintiff's counsel expended significant time
6 and resources in litigating this case, which resulted in a favorable result for the LWDA, Plaintiff,
7 and the aggrieved employees. Plaintiff's counsel elected to bear the contingency risk of this
8 litigation for the benefit of the aggrieved employees, as well as for the State of California (who
9 elected not to take the case after receiving the PAGA notice). (Marquez Decl., ¶¶ 39-42.)

10 Critically, this settlement exceeds other PAGA awards approved by courts. (*See, e.g.,*
11 *Aguirre v. DSW, Inc.* (C.D. Cal. Nov. 29, 2012) 2012 WL 11875296, *3 [approving \$10,000
12 PAGA payment]; *Garcia v. Gordon Trucking, Inc.* (E.D. Cal. Oct. 31, 2012) 2012 WL 5364575,
13 *7 ["GTI agrees to allocate \$10,000 to Plaintiffs' PAGA claims, and will pay \$7,500 to the
14 LWDA, and \$2,500 to participating Class Members on a pro-rata basis. This comports with
15 settlement approval of PAGA awards in other cases. [Citations.] Therefore, the Court will
16 approve the allocation of the Settlement to Plaintiffs' PAGA claim."]; *Boyd v. Bank of America*
17 *Corp.* (C.D. Cal. Nov. 18, 2014) 2014 WL 6473804, *8 [approving \$18,750 PAGA payment];
18 *Franco v. Ruiz Food Prods.* (E.D. Cal. Nov. 27, 2012) 2012 WL 5941801, *14 [approving
19 \$10,000 PAGA payment]; *Chu v. Wells Fargo Investments, LLC* (N.D. Cal. Feb. 16, 2011) 2011
20 WL 672645, *1 [approving \$10,000 PAGA payment]; *cf. Nordstrom Comm'n Cases* (2010) 186
21 Cal.App.4th 576, 589 [holding that trial court did abuse its discretion in approving wage and
22 hour class action settlement that involved PAGA claims even though no settlement money was
23 allocated to the PAGA claims and paid to the LWDA].) The fact that Plaintiff's counsel
24 achieved these results without engaging in a protracted legal battle, in the face of serious defense
25 challenges and an uncertain legal landscape, confirms the strength of the results achieved.

26 As discussed above, this case carried substantial risk as to the merits as well as the
27 potential of the Court drastically reducing penalties in the context of a contested trial or
28 summary judgment proceeding. Accordingly, it is fair and reasonable to account for these risks

1 in compensating Plaintiff's counsel. Since undertaking this representation, Plaintiff's counsel
2 has dedicated substantial resources to this litigation, including approximately \$21,803.10 in
3 costs, without receiving any compensation to date. (Marquez Decl., ¶¶ 21, 27.) Plaintiff's
4 counsel conducted extensive legal research regarding the merits of Plaintiff's claims, his ability
5 to recover penalties under the PAGA, and Defendants' potential defenses. (*Id.* at ¶ 9.)
6 Plaintiff's counsel expended significant additional effort in preparing formal settlement
7 documents and this Motion to Approve PAGA Settlement. (*Id.* at ¶ 18.) Given the considerable
8 potential for adverse outcomes in this case, including, but not limited to, Defendants defeating
9 Plaintiff's claims on the merits, and/or facing a drastic reduction to potential PAGA penalties,
10 the contingent risk borne by Plaintiff's counsel was great. The quality of Plaintiff's counsel's
11 work, and the efficiency and dedication with which it was performed, should be compensated.

12 Plaintiff's counsel's previous experience in litigating similar class and representative
13 actions also supports the reasonableness of the fee request. Plaintiff's counsel brings extensive
14 plaintiff-side wage-and-hour class, collective, and representative action experience. (*Id.* at ¶¶
15 28-38.) They have been found to be adequate counsel in numerous cases alleging wage and
16 hour claims. (*Id.* at ¶ 38.) Practice in the narrow field of wage-and-hour litigation requires skill
17 and knowledge concerning the rapidly evolving substantive state and federal law, as well as the
18 procedural law of class and representative action litigation. Because it is reasonable to
19 compensate Plaintiff's counsel commensurate with its skill, reputation, and experience, a fee
20 award of 33 1/3% of the gross settlement amount is reasonable.

21 Plaintiff's request for reimbursement of actual litigation costs of \$21,803.10 is also fair
22 and reasonable. As the evidence submitted herewith shows, all of Plaintiff's litigation costs are
23 documented and reasonably incurred. (*See* Marquez Decl., Ex. C [Expense Summary].)

24 **E. Settlement Administrator Costs Are Reasonable.**

25 The Settlement Administrator Costs in the amount of \$7,750.00 are reasonable, given
26 the tasks to be performed by the Settlement Administrator, including, but not limited to, the
27 following duties: mailing and re-mailing (if necessary) checks to approximately 396 PAGA
28 Employees and the LWDA; establishing a Qualified Settlement Fund; preparing and submitting

1 to PAGA Employees and government entities all appropriate tax filings and forms; distributing
2 the PAGA Representative Service Payment and attorneys' fees and costs; keeping the Parties
3 timely apprised of the performance of all obligations under the Agreement; and voiding
4 uncashed or undeliverable checks to issue those funds to the California Controller's Unclaimed
5 Property Fund. (Settlement, ¶ 4.3.3.) Plaintiff respectfully requests that the Court approve the
6 requested costs.

7 **IV. CONCLUSION.**

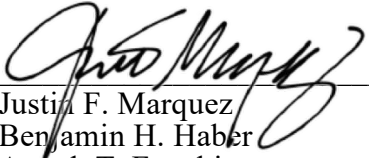
8 For the reasons set forth above, Plaintiff requests that the Court grant this motion and
9 approve the Parties' PAGA Settlement.

10 Respectfully submitted,

11 Dated: September 14, 2022

WILSHIRE LAW FIRM

12
13 By:


Justin F. Marquez
Benjamin H. Haber
Arrash T. Fattahi

15 Attorneys for Plaintiff

Aguilar v. Mad Engine Global, LLC, et al.
37-2021-00049439-CU-OE-CTL

I, Ashley Narinyans, state that I am employed in the aforesaid County, State of California; I am over the age of eighteen years and not a party to the within action; my business address is 3055 Wilshire Blvd., 12th Floor, Los Angeles, California 90010. My electronic service address is anarinyans@wilshirelawfirm.com.

PROOF OF SERVICE